Distr.
LIMITED
TD/II/WG.II/L.6/Add.2/Rev.1
18 March 1968

United Nations Conference on Trade and Development

Original: ENGLISH

Second session
WORKING GROUP II
Agenda item 14

Dual distr.

TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES, INCLUDING REGIONAL, SUB-REGIONAL AND INTER-REGIONAL ARRANGEMENTS

DRAFT REPORT OF WORKING GROUP II

on its deliberations concerning item 14

Rapporteur: Mr. D. Laloux (Belgium)

Chapter II

INTERNATIONAL SUPPORT ACTION

28. The discussion of this item opened with a statement by the representative of the Secretary-General of UNCTAD. Under this heading the Working Group considered:

(a) Commercial support action,

(b) Financial support action,

(c) Technical support action.

All the representatives of developed countries, and those of the developing countries and of international organizations who participated in the debate, took the view that international co-operation would help the developing countries to overcome difficulties encountered by them in expanding their trade with each other and in trying to achieve integration. The representatives of the developed market economy countries and of the socialist countries of Eastern Europe who participated in the debate, stated that their Governments were prepared to play an active role in assisting the establishment, on the basis of concrete proposals, of the necessary [economic and structural] conditions in the developing countries for the expansion of their trade with each other. The representatives of several developed market economy countries emphasized their view that this could best be done within a regional framework. The representative of one developed market economy country, speaking on behalf of all the countries in his group, submitted a document entitled "Declaration of support by developed market economy countries on trade expansion and regional economic co-operation among developing countries", reaffirming the willingness of the Governments concerned to assist the developing countries in their efforts in that respect.

29. With regard to commercial support action, some representatives of developing and of developed market economy countries said that a more flexible and more liberal interpretation of the most-favoured-nation principle was needed. The representatives of (many) developing countries thought that preferential arrangements between developing countries should not necessarily be (subject to) the GATT waiver procedures. In that connexion, they pointed out that in any case the legal aspect of the matter must be left for consideration and interpretation to the GATT Contracting Parties. The representatives of the developed market economy countries stated that all arrangements concluded between developing countries (, if they include any contracting parties to the GATT,) should be subject to examination in the GATT and that, within the present framework of the General Agreement, all preferential arrangements not conforming with the provisions for free trade areas or customs unions would need to obtain a GATT waiver. They added, however, that their countries would give sympathetic consideration in the GATT to arrangements between developing countries, and one representative pointed out that so far no application for a GATT waiver had yet been refused. The representative of one developed market economy country expressed the view that the most-favoured-nation principle should be fully applicable only between countries at similar levels of development and with comparable economic systems. The representative of another developed market economy country added that the application of the most-favoured-nation clause might provide desirable safeguards for the interests of those countries which were economically the weakest.

30. As to the question of preferential rights of developed countries in markets of developing countries, many speakers from developing countries expressed the hope that developed countries would renounce preferential rights (when) developing countries (had) mutually beneficial agreements among themselves.

31. Some representatives of the developed market economy countries expressed the view that the UNCTAD/GATT International Trade Centre should give particular attention to efforts for sales promotion and market studies among developing countries, since only vigorous action in that field could make co-operation arrangements or trade agreements between these countries a living reality.

32. With respect to financial support action, the representatives of the developed market economy countries stated in general that their Governments were prepared, within the framework of their aid policies and programmes, to give financial support to regional or sub-regional schemes and projects, on the basis of concrete proposals put to them by

developing countries. They also stressed the efforts which their Governments had already made or were planning in the financing of multilateral projects, particularly infrastructure projects.

33. The representatives of some developed market economy countries pointed to the rising trend in the allocation of their countries' aid to developing countries in support of regional integration schemes and said that they expected a broadening of their support for new efforts in this field. Some of them stated that, in determining the content of their assistance programmes, their Governments would give, or were giving, priority to assistance to movements towards co-operation between developing countries. In this respect they emphasized the important role to be played by regional development banks in such assistance. Some of them said that in their countries' efforts to increase the volume of assistance to the level of 1 per cent of national income, a portion of that assistance would be devoted to programmes for trade expansion and economic integration, on the basis of requests received from developing countries concerning specific schemes and projects.

34. In the debate, representatives of all developing countries stressed the link that existed between the scope of trade expansion and integration commitments and the availability of international assistance for solving these problems. They mentioned the following purposes as particularly deserving support: multi-national projects, particularly in infrastructure (great stress was laid on land and maritime transport), and also in productive activities, both as regards the financing of feasibility studies and as regards the investment itself; re-adaption of existing industries in connexion with trade liberalization commitments; measures to ensure that the relatively less advanced countries of a grouping could benefit from the formation of wider markets; measures for ensuring that domestic enterprise and capital would share in the benefits resulting from the enlargement of markets, etc.

35. The representatives of the developing countries emphasized that the assistance specially granted by the developed countries to multilateral programmes should not reduce the volume of assistance provided for national programmes. They also stressed the importance of elaborating multilateral payments arrangements to deal with difficulties of temporary imbalances which might result from increases in trade due to the implementation of the trade liberalization commitments among the developing countries. These representatives cited the experience of the European Payments Union, which showed that there was a definite link between the adoption of more

far-reaching trade liberalization commitments, on the one hand, and payments arrangements, with sufficient credit margins to enable the participating countries to deal with the inevitable problem of the temporary imbalances on the other hand. They hoped, accordingly, that developed countries would make definite commitments to contribute towards the reserve funds for payments arrangements among developing countries. In this regard, the representatives of some developing countries drew attention to the conclusions reached and recommendations made by the UNCTAD Group of Experts on the subject(TD/B/80/Rev.1) and particularly to the conclusion that contributions of developed countries to funds for facilitating credit arrangements would represent an efficient use of development finance and would promote more efficient use of other development finance. The representatives of some developed market economy countries thought that payments agreements patterned after the European Payments Union might not necessarily suit the needs of groupings of developing countries because situations were different, especially in relation to patterns of trade and trade structures and that they would therefore need to be examined on a case by case basis. They pointed out that there were various possible formulae for co-operation with respect to payments arrangements and that the choice among them should be made on the basis of the particular features of and specific needs for moves towards trade expansion, economic co-operation and integration within particular groups of developing countries.

36. Speaking on the same subject matter, the representatives of the developing countries expressed the hope that international financial and monetary agencies would adopt a more positive attitude towards certain types of payment agreements. In this connexion, they drew attention to the recommendations of the UNCTAD Group of Experts that the IMF should take special action on the payments problems posed by trade expansion among developing countries and should consider requests for increases in quotas that might be required in the light of such trade expansion. The representative of the International Monetary Fund remarked that the Fund had already helped several member countries in their integration efforts. He said that the developing countries which had undertaken trade liberalization programmes could turn to the Fund for a drawing right or a standby agreement in order to safeguard their reserve positions. He pointed out that it was generally recognized that one or two countries having persistent deficits could cause great difficulties in payments operations and that it was best to make price and cost adjustments before the establishment of a payments union. In situations where payments unions appeared impracticable the IMF had recommended clearing arrangements, which were more flexible.

37. The representatives of some developing countries asked that the question of suppliers' credits and credit insurance should also be studied. In that connexion, the representative of a developed market economy country referred to the suggestion, made at the 1964 Conference, that the possibility of establishing a re-insurance agency for suppliers' or purchasers' credits, granted between developing countries should be examined. Those credits could thus be financed on normal terms by international financial markets.

38. The developing countries emphasized the need for the untying of aid in order to enable developing countries to increase their trade with each other. That idea was accepted by the representatives of some developed market economy countries in the context of a collective effort in this direction.

39. The representatives of some developing countries mentioned the possibility of establishing, within the regional development banks, special funds to be used for clearly specified purposes, for example for facilitating participation by relatively less advanced countries in integration projects. The representatives of some developed market economy countries stated that their Governments already participated in the special fund which had been set up by one regional development bank. Some of them said that their countries were prepared to finance studies of investment possibilities and of the readjustment of existing industries in the new framework of integration.

40. Certain regional banking institutions stated that they had difficulties in obtaining access to capital markets, as they were subject to the same treatment as private companies.

41. As regards technical assistance, the representatives of the developed market economy countries and those of the socialist countries of Eastern Europe and some representatives of the respective economic groupings who participated in the debate declared that their Governments could help the developing countries in their efforts at integration, in particular through the exchange of information about their countries' experiences as regards regional co-operation and trade promotion, as well as by providing experts in those two fields.

42. The representatives of many developing countries stated that UNCTAD should establish and maintain, upon information received from member countries and other interested bodies, a roster of names of experts that could in principle be drawn upon; in addition, they suggested that the UNCTAD secretariat should try to establish a small nucleus of highly qualified advisers on specific problems that at the request of Regional Commissions and other interested bodies could be put at their disposal expeditiously. Several of these representatives supported the idea of setting up a training centre for experts in trade expansion and integration techniques. They considered that the experts should not only receive technical training, but should also be trained as administrators. One of these representatives said that the experts need not necessarily come from the developed countries but that certain developing countries could also supply experts qualified in matters of integration.

43. Referring to technical assistance of a multilateral character, the representatives of severl developed market economy countries stressed that UNCTAD should give substantive support to efforts undertaken in this field by the UNDP.

44. The representative of one developing country submitted, on behalf of the group of developing countries, a draft entitled "Elements for inclusion in a declaration of UNCTAD II with respect to trade expansion and economic integration among developing countries."